

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 ICAE-00 INRE-00 AGRE-00 CEA-01
COME-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 PA-01 CTME-00 AID-05 SS-15 ITC-01 TRSE-00
SP-02 SOE-02 OMB-01 DOE-15 JUSE-00 OIC-02 IO-13
/100 W

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FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 9103

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 06640

USMTN

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EO 11652: N/A
TAGS: MTN, ETRD
SUBJECT: MTN DEL COMMENTS ON COMPREHENSIVE APPROACH TO
- LDCS

1. SUMMARY: MTN DEL APPRECIATES EFFORTS TO DEVELOP DRAFT
COMPREHENSIVE PACKAGE FOR LDCS IN MTN. SECTIONS ON
TARIFFS, SAFEGUARDS, FRAMEWORK, AND TROPICAL PRODUCTS
APPEAR GENERALLY ON THE MARK AND PROVIDE BASIS FOR
CONCRETE DISCUSSIONS WITH LDCS. THE OVERALL APPROACH TO
CODE AND GATT MEMBERSHIP HOWEVER DOES NOT ACCORD WITH
NEGOTIATING REALITIES. ADDITIONALLY, MINIMALIST S&D
POSITIONS WITH RESPECT TO THE NTM CODES (MOST MTN DEL
PROPOSALS ARE STILL TO BE ADDRESSED) COMPOUND THE
PROBLEMS WITH THIS APPROACH. END SUMMARY.

2. MTN DEL AGREES THE MFN PROVISIONS OF THE CODES WILL BE
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BY FAR THE GREATEST BENEFIT TO LDCS--IN FACT HAS MADE
THIS POINT CONTINUALLY TO LDCS FOR THREE YEARS, BUT DOES
NOT BELIEVE THIS TO BE SUFFICIENT INCENTIVE FOR ALL LDCS
TO ADHERE TO ALL CODES AND FOR NON CPS TO FULLY ACCEDE TO
THE GATT. SUCH AN APPROACH COULD IN FACT RESULT IN LESSER
LDC OBLIGATION TO AND DECREASED LDC PARTICIPATION IN THE
TRADING SYSTEM. OTHER INCENTIVES TO JOIN THE CODES

GENERALLY (TECHNICAL ASSISTANCE AND NON-SPECIFIC DEROGATIONS FROM CODE OBLIGATIONS) ARE LIMITED AND ARE IN OUR JUDGMENT NOT SUFFICIENT TO ENGAGE THE LDCS IN NEGOTIATIONS.

3. MTN DEL ALSO SHARES BASIC APPROACH THAT THERE MUST BE A BALANCE BETWEEN BENEFITS AND OBLIGATIONS WITHIN INDIVIDUAL CODES AND BETWEEN CODES. A REVIEW HOWEVER OF NTM CODES IN ANNEX I REVEALS THAT THE LEVERAGE TO INDUCE LDCS TO ADHERE IS LIMITED TO A DENIAL OF MFN PROVISIONS AND TECHNICAL ASSISTANCE TO NONADHERENTS OR THE DENIAL OF OTHER MTN BENEFITS. ON THE OBLIGATIONS SIDE LDC ARE EXPECTED TO ADHERE FULLY TO CODES WITH ONLY TWO SPECIFIC EXCEPTIONS (GOVERNMENT PROCUREMENT - 10 PER CENT PREFERENCE, AND SUB/CVD-EXPORT SUBSIDIES PERMITTED IF THERE IS NO INJURY AND IF LDCS ARE NOT INTERNATIONALLY COMPETITIVE). ALL OTHER POSSIBLE DEROGATIONS ARE SUBJECT TO A COMMITTEE DECISION TAKEN AFTER ALL OBLIGATIONS HAVE BEEN ASSUMED. NO GUIDANCE IS PROVIDED ON WHAT DEROGATIONS MIGHT LATER BE AGREED. MTN DEL IS IN THE DARK AS TO THE FEASIBILITY OF NTM S&D PROPOSALS IT HAS MADE TO WASHINGTON SINCE MOST ARE IDENTIFIED UNDER SECTION F - "PROPOSALS THAT MAY HAVE TO BE ADDRESSED." IT IS OUR JUDGMENT UNDER THE ABOVE GUIDELINES FEW, IF ANY, LDCS WILL CHOOSE TO ADHERE TO ALL THE CODES.

4. IN FACT, IT IS OUR VIEW THAT THERE IS NO POSSIBILITY LIMITED OFFICIAL USE

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WHATSOEVER THAT ALL MTN PARTICIPANTS INCLUDING ALL LDCS WILL ADHERE TO ALL PROSPECTIVE CODES. NOR DO WE SEE WHY WE SHOULD ADOPT A POLICY OF NOT "ALLOWING" AN MTN PARTICIPANT TO ADHERE TO ONE OR MORE CODES IF IT IS ABLE TO DO SO UNLESS THAT PARTICIPANT CAN JOIN ALL OF THEM AND ALSO ACCEDE TO THE GATT IF IT IS NOT NOW A CP. INSTEAD, WE BELIEVE EACH CODE SHOULD BE EXAMINED SEPARATELY TO SEE IF GLOBAL ADHERENCE IS REALLY ESSENTIAL TO ITS VIABILITY.

5. SIMPLEST EXAMPLE, PERHAPS, IS POSSIBLE NEW CUSTOMS VALUATION CODE. WHILE THE TRADING SYSTEM WOULD NO DOUBT BE IMPROVED IF THE ENTIRE WORLD USED THE SAME SYSTEM, CLEARLY THIS IS NOT INDISPENSABLE (VIZ., COEXISTENCE OF VERY DIFFERENT SYSTEMS AT PRESENT). WHY SHOULD WE SAY TO BRAZIL, FOR EXAMPLE, THAT WE DECLINE TO LET THEM SUBSCRIBE TO THE STANDARDS CODE UNLESS THEY ADOPT THE NEW CUSTOMS VALUATION CODE? IF U.S., EC AND OTHER KEY DCS AGREE ON A NEW COMMON CUSTOMS VALUATION SYSTEM, MOST OF THE REST OF THE WORLD WILL PROBABLY (BUT ONLY GRADUALLY AND OVER A VERY LONG PERIOD OF TIME) ADAPT THEIR OWN SYSTEMS IN A SIMILAR DIRECTION, BUT WE SEE NO PROSPECT OF SOME 80 LDCS CHANGING THEIR VALUATION SYSTEMS OVERNIGHT NOR DO WE SEE

ANY COMPELLING REASON WHY THEY HAVE TO OR WHY WE SHOULD INSIST THAT THEY DO SO. IF, ON THE OTHER HAND, SOME LDCS ARE PREPARED TO JOIN NEW VALUATION SYSTEM, THAT WOULD BE DESIRABLE AND HAS NOTHING TO DO WITH WHETHER THEY CAN OR CAN'T OR WON'T SUBSCRIBE TO ANOTHER CODE WITH TOUGHER REQUIREMENTS, E.G., GOVERNMENT PROCUREMENT. SIMILARLY WE DO NOT SEE THE LINKAGE BETWEEN LICENSING AND OTHER CODES. MORE APPROPRIATE LINK IN OUR VIEW WOULD BE TO TIE OUR PRODUCT SPECIFIC CONCESSIONS TO LDC ADHERENCE TO LICENSING CODE IN APPROPRIATE SITUATIONS.

6. WE ALSO DO NOT BELIEVE THE PROPOSED POLICY OF DENYING ACCESS TO A CODE BY NON-GATT MEMBERS IS NECESSARY NOR WILL IT INCREASE PRESSURE ON LDCS TO JOIN THE GATT. AS WASH-LIMITED OFFICIAL USE

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INGTON IS AWARE, THERE ARE 29 NON-GATT CPS PARTICIPATING

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INFO OCT-01 IO-13 ISO-00 STRE-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00 AGRE-00
CEA-01 COME-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 PA-01 CTME-00 AID-05 SS-15 ITC-01
TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 JUSE-00 OIC-02
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IN THE MTN. WE SEE NO PROSPECT WHATEVER THAT ALL 29 OF

THEM WILL ACCEDE TO GATT WITHIN MTN TIMEFRAME (OR UNDER-
TAKE AN OBLIGATION TO DO SO IN THAT TIMEFRAME). IF ONE
OR MORE OF THEM IS WILLING TO ADJUST THEIR LICENSING
SYSTEMS IN LINE WITH THE DRAFT MTN LICENSING TEXT (WHICH
WOULD BE GOOD FOR U.S. TRADE) OR CHANGE ITS VALUATION
SYSTEM, WHY SHOULD WE "DENY" THEM DOING SO (AND HOW?)
UNLESS THEY SUBSCRIBE TO ALL GATT OBJECTIVES? WE FAVOR
A MORE SELECTIVE U.S. POLICY AIMED AT ENCOURAGING CERTAIN
KEY LDCS TO ACCEDE TO THE GATT, ESPECIALLY MEXICO AND THE
PHILIPPINES. A SUBSTANTIAL NUMBER OF COUNTRIES, SUCH AS
IRAQ, MALI, BOTSWANA AND SWAZILAND, ETC., ARE ONLY NOMIN-
ALLY PARTICIPATING IN THE MTN AND ARE NOT EVEN REPRESENTED
IN GENEVA; THEY ARE NOT GOING TO JOIN THE GATT ANYTIME
SOON.

7. ANOTHER SHORTCOMING OF DRAFT STRATEGY IS LACK OF
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SPECIFICS ON HOW TO DEAL WITH THE LEAST DEVELOPED BUT
WE CONCEDE MTN DEL HAS NOT BEEN ABLE TO FORMULATE MANY
PRACTICAL SUGGESTIONS.

8. GRAEF AND I CO-DRAFTED. CULBERT

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